



**CITY OF RYE, NEW YORK
FINANCE COMMITTEE MINUTES**

January 10, 2005 – 7:30 p.m. – Employees' Lounge, City Hall

Present: Michael Caponiti, Norm MacMaster, David Mullane, Jono Peters; City staff liaison Michael Genito.

Absent: Fred Dunn, George Pratt, and Sal Samperi; City Council liaison Franklin Chu.

Guests: Mayor Steve Otis

Update on Proposed City Occupancy Tax

Michael Genito reported that the legislation for the proposed City occupancy tax had been sent to the State Legislature in 2004 too late for consideration in the 2004 Legislative agenda. Mayor Otis advised the Committee that the bill would be re-introduced for the 2005 Legislative session and it was his understanding that the Ways and Means Committee had questioned why our bill did not have a sunset provision as found in other similar laws. The Mayor noted that the language of the bill may have to be adjusted to pass the various State committees reviewing it, but once passed it will be an excellent source of non-property tax revenue. The Mayor noted that no other Westchester community has such a tax and he has been asked how ours is structured by at least one other community in Westchester.

Update on Proposed Real Estate Transfer Tax

Michael Genito reported that the City's Corporation Counsel was preparing the legislative language for the proposed City real estate transfer tax. Michael noted that there are a few other communities in New York State that have such a tax; that the amount of the tax is either equal to or less than the equivalent tax raised by the counties within which those communities reside, and that the proceeds from the tax are dedicated to specific purposes such as the preservation of open space, tourism, or infrastructure improvements. Michael noted that our proposed bill will request an occupancy tax of 3%, equivalent to the Westchester County occupancy tax of 3%, and that the City Council must decide the appropriate use of the revenues.

The Appropriate Use of Unreserved, Undesignated Fund Balance

The Committee discussed the appropriateness of using unreserved, undesignated fund balance for equipment and the principal portion of debt service. The Committee determined that there is no specific definition of "capital equipment" that would allow for an easy determination of whether or not it is appropriate to use fund balance to fund equipment normally included in the operating budget. For instance, the Governmental Accounting Standards Board defines capital assets as "land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period." This definition would include most, if not all, equipment purchases made through the operating budget (office equipment, computers, tools, etc.). Michael Genito noted that the City expends approximately \$200,000 to \$300,000 per year on

equipment through the General Fund operating budget. The discussion also found it unclear as to whether or not the use of fund balance to fund the principal portion of debt is an appropriate use of fund balance. Some noted that debt principal is paying for the purchase of a capital asset having a life of at least 10 years. Others noted that while this is true, debt principal payments would recur every year until the debt has been satisfied. The Committee concluded that the financial policies concerned with this issue are sufficient to require the City Council to carefully review their use of fund balance, and make their budgeting and funding decisions judiciously in consideration of other financial policies, including the minimum fund balance that should be maintained.

2005 Finance Committee Agendas

The Committee discussed various issues and determined that the following items should be included in future Finance Committee agendas:

- ❖ Amend the City's Financial Policies to increase the recommended minimum unreserved, undesignated fund balance from 5% to 7.5% of revenues.
- ❖ Consider developing a recommendation that a percentage tax rate increase in any year should approximate the percentage increase in the Consumer Price Index (CPI) for the twelve months prior to that year. Michael Genito was asked to prepare an analysis comparing the last ten years' tax rate increases to the increases in the CPI.
- ❖ Develop a "Popular Budget Report", a summarized version of the annual budget document developed for the layperson, similar to the "Popular Annual Financial Report".
- ❖ Develop a policy on the use of variable rate debt.
- ❖ Engage in a philosophical discussion, exclusive of specific interest rates or interest rate trends, as to when debt should be issued.
- ❖ Develop a historical analysis of 20-year bond rates and one-year bond anticipation note (BAN) rates over several decades passed (20, 25, 30, 35, or 40 years) to determine if the issuance of one-year BANs over various 20-year periods in lieu of issuing a 20-year bond would have resulted in savings. If appropriate based on the results of such analysis, recommend to State legislative representatives a bill that would extend the maximum renewal of BANs from the current five-year limit to a maximum period not to exceed the probable period of usefulness for the underlying asset (the maximum maturity of bonds issued for such purposes) as defined in New York State Local Finance Law.

It was recommended that all of the above appear on future agendas until each item is resolved. Other items will be added to future agendas as desired by the Committee.

Next Finance Committee Meeting

The next regular meeting of the Finance Committee is scheduled for Monday, February 7, 2005 at 7:30 p.m. in the Employees' Lounge of City Hall.

Adjournment

Having no further business, the meeting adjourned at 9:25 p.m.

Respectfully submitted,

Michael A. Genito